

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1028 - HB 1502

April 10, 2023

SUMMARY OF BILL: Establishes a public and private partnership program to incentivize employers to contribute to the childcare costs of their employees. Creates the Employee Child Care Assistance Partnership Fund, which will be funded through appropriations by the General Assembly, contributions, gifts, or grants and will be administered by the Department of Human Resources (DHR). The program will match up to 100 percent of employer contributions to employee childcare costs. Beginning in 2024, requires the DHR to annual publish reports detailing the efficacy of the program by July 15th and December 15th and submit the reports to the Speakers of the Senate and the House of Representatives.

Authorizes the Department of Economic and Community Development and the Department of Labor and Workforce Development to coordinate with the DHR to incorporate the program into agreements with employers seeking economic development incentives.

Establishes that a person who intentionally submits false information to the DHR in pursuit of benefits under this program is subject to a civil penalty up to \$500 per violation. Requires all money collected as the result of penalties assessed be credited to the Fund.

FISCAL IMPACT:

**Increase State Revenue – \$12,251,500/FY23-24/
Employee Child Care Assistance Partnership Fund**

**\$10,451,500/FY24-25 and Subsequent Years /
Employee Child Care Assistance Partnership Fund**

**Increase State Expenditures – \$12,251,500/FY23-24/General Fund
\$12,251,500/FY23-24/
Employee Child Care Assistance Partnership Fund**

**\$10,451,500/FY24-25 and Subsequent Years/
General Fund**

**\$10,451,500/FY24-25 and Subsequent Years/
Employee Child Care Assistance Partnership Fund**

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Assumptions:

- The proposed legislation requires the DHR to administer the program, but it is assumed that the Department of Human Services (DHS) will be the administrative agency.
- The DHS will be required to develop a standardized contract for participation in the program. The contracts will be used for agreements between employers, employees, and childcare providers.
- Contracts will be submitted to the DHS for review. If the contracts meet the program eligibility requirements, the DHS will match the contribution made by the employer up to 100 percent of the cost of the childcare service subject. The match will be issued to the childcare provider.
- The proposed legislation creates the Employee Child Care Assistance Partnership Fund that will be funded through appropriations by the General Assembly, contributions, gifts, or grants and that will be administered by the DHS. It is assumed that the General Assembly will appropriate \$10,000,000 each year for the program.
- In FY23-24, five percent, or \$500,000 ($\$10,000,000 \times 5.0\%$), of the fund will be distributed to the DHS to administer the program. In each subsequent fiscal year, three percent, or \$300,000 ($\$10,000,000 \times 3.0\%$), of the fund will be distributed to the DHS to administer the program.
- To administer the program, the DHS will need to update its existing Customer Portal/Eligibility Determination System as well as its Billing and Payment System. The DHS estimates, based on recent workflow modifications to the DHS eLicensing System, that the updates will cost approximately \$2,000,000 in one-time expenditures.
- The DHS will also need 10 additional positions to administer the new program; 8 Child Care Certificate Specialists and 2 Field Supervisor positions, beginning in FY23-24.
- There will be a recurring increase in state expenditures of \$751,492 (\$487,609 salaries + \$154,283 benefits + \$109,600 administrative costs) in FY23-24 subsequent years.
- Five percent of the fund (\$500,000) will not sufficiently cover the costs of administering the program in FY23-24. The DHS will require an additional appropriation of \$2,251,492 [$(\$2,000,000 \text{ one-time} + \$751,492 \text{ recurring}) - \$500,000$] in FY23-24.
- Three percent of the fund (\$300,000) will not sufficiently cover the costs of administering the program in FY24-25 and subsequent years. The DHS will require additional appropriations of \$451,492 ($\$751,492 - \$300,000$) in FY24-25 and subsequent years.
- The proposed legislation will result in an increase in state expenditures estimated to be \$12,251,492 ($\$10,000,000 + \$2,251,492$) in FY23-24 and \$10,451,492 ($\$10,000,000 + \$451,492$) in FY24-25 and subsequent years.

IMPACT TO COMMERCE:

Other Commerce Impact – The proposed legislation may result in a permissive increase in business expenditures, but the extent and timing of such permissive increase cannot reasonably be determined due to multiple unknown variables.

- To the extent the proposed legislation incentivizes employers to contribute to their employees' childcare costs, the proposed legislation will result in a permissive increase in business expenditures.
- However, the extent and timing of any permissive increase in business expenditures cannot reasonably be determined due to multiple unknown variables.
- Any impact on jobs in this state will be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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